

Message Text

UNCLASSIFIED POSS DUPE

PAGE 01 PARIS 21759 01 OF 04 251618Z

43

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 /111 W

----- 064076

R 251604Z AUG 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2455

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 01 OF 04 PARIS 21759

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EALR, EFIN, EGEN, FR

SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 16741, JUNE 27, 1975

1. SUMMARY. PROSPECTS MOUNT FOR CONTENTIOUS POST-VACATION PERIOD IN FRANCE, AS GOVERNMENT AND PRIVATE SECTOR SHARPEN DIFFERENCES OVER NEAR-TERM OUTLOOK AND EFFECTS OF OFFICIAL ECONOMIC POLICIES. LATEST SURVEY OF FRENCH INDUSTRY SHOWS CAPACITY UTILIZATION AT 13-YEAR LOW, AND PROJECTS 8 PERCENT REAL DECLINE IN PRODUCTIVE INVESTMENT FOR 1975. OVERALL INDUSTRIAL PRODUCTION REMAINS AT LEVEL OF 3 YEARS AGO, WHILE UNEMPLOYMENT AT UNCLASSIFIED
UNCLASSIFIED

PAGE 02 PARIS 21759 01 OF 04 251618Z

MID-SUMMER ACCOUNTS FOR ROUGHLY 4 PERCENT OF LABOR FORCE. IN FOREIGN SECTOR, HOWEVER, TRADE SURPLUS

REGISTERED FOR 6TH STRAIGHT MONTH IN JULY, WITH BOTH IMPORTS AND EXPORTS ON THE UPSWING. END SUMMARY.

2. INVESTMENT, CAPACITY UTILIZATION DROPS; GOF UNDER FIRE FROM PRIVATE SECTOR --

LATEST SURVEY OF INDUSTRIAL CAPACITY AND INVESTMENT, CONDUCTED 3 TIMES ANNUALLY BY INSEE (NATIONAL STATISTICS INSTITUTE), SHOWED NUMBER OF FRENCH FIRMS OPERATING AT CAPACITY HAD DECLINED FROM 15 PERCENT IN MARCH TO 13 PERCENT IN JUNE. LATEST CAPACITY-UTILIZATION FIGURE WAS LOWEST REGISTERED IN 13 YEARS. INVESTMENT SPENDING (SEASONALLY ADJUSTED) DECLINED ROUGHLY 9 PERCENT IN VALUE BETWEEN SECOND HALF 1974 AND FIRST HALF 1975; FOR 1975 AS A WHOLE, REAL DECLINE IN PRODUCTIVE INVESTMENT OVER 1974 EXPECTED TO BE ON ORDER OF 8 PERCENT.

OTHER FACTORS REVEALED BY JUNE SURVEY WERE (A) FURTHER DECLINE IN OVERALL INDUSTRIAL DEMAND SINCE MARCH, WITH SHARP DROP IN FOREIGN ORDERS; (B) OVERALL 3 PERCENT DECLINE IN INDUSTRIAL ACTIVITY SINCE FIRST QUARTER 1975; (C) INCREASED LAYOFFS OF WORKERS; AND (D) SLOWING IN RATE OF INCREASE OF WAGES AND OF PRODUCER PRICES -- THE LATTER RISING BY AVERAGE 0.2 PERCENT MONTHLY. OUTLOOK FOR COMING MONTHS IS FOR SOME TAPERING-OFF IN RATE OF DECLINE OF DOMESTIC DEMAND, WHILE EXPORT PROSPECTS REMAIN BLEAK. FURTHER REDUCTIONS IN OUTPUT EXPECTED, ALTHOUGH CUTBACKS SHOULD BE LESS SEVERE THAN IN RECENT MONTHS. "PARTIAL UNEMPLOYMENT," OR REDUCTION IN AVERAGE WORKING HOURS, EXPECTED TO CEASE AS SOLUTION TO DECLINING PRODUCTION; WORKER LAYOFFS THUS EXPECTED TO CONTINUE, ROUGHLY AT SAME RATE AS HERETOFORE. (INDEED, OTHER OBSERVERS EXPECT LAYOFFS TO INCREASE SIGNIFICANTLY -- SEE PARA. 3 BELOW.)

WITH OBJECTIVE INDICATORS THUS PRESENTING SOMEWHAT AMBIGUOUS PICTURE OF NEAR-TERM ECONOMIC OUTLOOK, SHARPLY DIFFERING INTERPRETATIONS ARE BEING OFFERED BY GOVERN-
UNCLASSIFIED
UNCLASSIFIED

PAGE 03 PARIS 21759 01 OF 04 251618Z

MENT AND PRIVATE SECTOR. AS HE HAS ON SEVERAL OCCASIONS SINCE JUNE, PRIME MINISTER CHIRAC RE-AFFIRMED AUGUST 19 THAT FRANCE'S ECONOMY IS "AT THE END OF THE TUNNEL" -- A VIEW WHICH FINANCE MINISTER FOURCADE SAID THE FOLLOWING DAY HE ALSO ACCEPTED. ON AUGUST 23, CHIRAC WENT ON TO SAY HE LOOKED FOR ECONOMIC REVIVAL IN NEXT FEW MONTHS, ON ACCOUNT OF "SEVERAL ENCOURAGING INDICATORS." SUCH OPTIMISM ON PART OF GOF HAS, IN RECENT WEEKS, REPEATEDLY BEEN COUNTERED BY FRANCOIS CEYRAC, HEAD OF FRENCH PATRONAT (ROUGHLY EQUIVALENT TO

N.A.M.). IN RADIO INTERVIEW SHORTLY AFTER CHIRAC'S
AUGUST 23 ADDRESS, CEYRAC SAID THAT FRENCH ECONOMY MAY
BE "IN THE TROUGH OF A WAVE, BUT CERTAINLY NOT AT THE
END OF ANY TUNNEL." AS FOR LABOR GROUPS, SPOKESMAN FOR
MAJOR C.F.D.T. UNION SAID AUGUST 24 THAT "WE SHALL
CLASH OVER INCREASINGLY SEVERE PROBLEMS OF EMPLOYMENT
IN SEPTEMBER. HE ADDED THAT C.F.D.T., RATHER THAN

UNCLASSIFIED

NNN

UNCLASSIFIED POSS DUPE

PAGE 01 PARIS 21759 02 OF 04 251624Z

43

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 /111 W

----- 064210

R 251604Z AUG 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2456

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 02 OF 04 PARIS 21759

"PROVIDING CROSS-FIRE," MAY FIND ITSELF IN COMMON CAUSE
WITH PATRONAT IN THEIR "SEPARATE STRUGGLES" AGAINST GOF
ECONOMIC POLICIES. CFDT LEADERS TO MEET AUGUST 28 WITH
FRANCE'S LARGEST UNION, C.G.T., TO PLAN COMMON STRATEGY
TO PROTECT JOBS. UNIONS HAVE LITTLE CONFIDENCE IN GOF
POLICIES -- CGT, IN FACT, PREDICTS 1.5 MILLION UNEM-
PLOYED IN NEAR FUTURE.

3. UNEMPLOYMENT REMAINS AT ROUGHLY 4 PERCENT IN JULY --

THE NUMBER OF REGISTERED UNEMPLOYED (SEASONALLY ADJUSTED) ROSE TO 884,900 AT END OF JULY, LESS THAN 1 PERCENT ABOVE PREVIOUS MONTH'S LEVEL. UNFILLED JOB OFFERS DECLINED, ALSO BY LESS THAN 1 PERCENT, TO 102,500. ON BASIS OF AVAILABLE DATA, WE ESTIMATE SEASONALLY ADJUSTED UNEMPLOYMENT IN JULY AT ROUGHLY 4
UNCLASSIFIED
UNCLASSIFIED

PAGE 02 PARIS 21759 02 OF 04 251624Z

PERCENT OF LABOR FORCE (SEE PARIS A-322 FOR METHODOLOGY).
LABOR MARKET INDICATORS
(SEASONALLY ADJUSTED; IN THOUSANDS, END-OF-MONTH)

	FEB	MAR	APR	MAY	JUN	JUL
--	-----	-----	-----	-----	-----	-----

REGISTERED

UNEMPLOYED	727.5	765.7	797.1	834.9	877.5	884.9
------------	-------	-------	-------	-------	-------	-------

UNFILLED JOB

OFFERS	121.7	110.7	106.0	105.7	103.3	102.5
--------	-------	-------	-------	-------	-------	-------

UNEMPLOYMENT

AS PERCENT OF

LABOR FORCE

(ESTIMATE)	3.3	3.5	3.6	3.8	4.0	4.0
------------	-----	-----	-----	-----	-----	-----

PERCENT INCREASE IN NUMBER OF REGISTERED UNEMPLOYED DURING JULY (0.8 PERCENT) WAS SMALLEST FOR ANY MONTH SINCE LAST MAY -- WHEN RATE OF UNEMPLOYMENT WAS ROUGHLY HALF THE CURRENT FIGURE. IT ALSO MARKED FIRST REAL SLOWDOWN IN PROGRESSION OF NUMBER OF JOBLESS, WHICH HAD AVERAGED MORE THAN 6 PERCENT MONTHLY SINCE LAST SEPTEMBER. NEVERTHELESS, MORE-THAN-SEASONAL INCREASE IN NUMBER OF YOUNG PEOPLE ENTERING LABOR FORCE IS EXPECTED THIS FALL, SO THAT LATEST DEVELOPMENTS MAY PROVE TO BE MORE ANOMALY THAN TREND. MOST OBSERVERS HERE EXPECT NUMBER OF REGISTERED UNEMPLOYED TO HIT 1 MILLION BY SEPTEMBER OR OCTOBER.

4. JULY PRICE INDEX EXPECTED TO SHOW 0.7 PERCENT RISE --

ACCORDING TO AUGUST 24 ANNOUNCEMENT BY FINANCE MINISTER FOURCADE, YET-TO-BE RELEASED CONSUMER PRICE INDEX FOR JULY SHOULD SHOW 0.7 PERCENT INCREASE OVER JUNE -- AN INCREASE IDENTICAL TO THOSE REGISTERED IN TWO PRECEDING MONTHS. FOURCADE ALSO SAID PRICE INFLATION FOR 1975 AS A WHOLE COULD END UP "SLIGHTLY BELOW 10 PERCENT."

5. OUTPUT STILL AT 3-YEAR LOW --

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 21759 02 OF 04 251624Z

FRENCH INDUSTRIAL PRODUCTION IN JUNE RETURNED TO MARCH-APRIL LEVELS FOLLOWING 3-PERCENT DROP DURING MAY. OVERALL INSEE INDEX SET AT 112 FOR JUNE (SEASONALLY ADJUSTED, BASE 1970 AS 100), UP FROM REVISED FIGURE OF 109 FOR MAY. JUNE INDEX WAS 11 PERCENT BELOW THAT OF JUNE 1974, AND CORRESPONDS TO LEVEL OF OUTPUT OF 3 YEARS PREVIOUSLY. NEARLY ALL BRANCHES OF INDUSTRY (CHEMICALS, GAS AND NON-FERROUS METALS EXCEPTED) REGISTERED GREATER PRODUCTION IN JUNE THAN IN MAY -- A MONTH IN WHICH SEVERAL HOLIDAYS, AS WELL AS STRIKES, HAD OCCURRED. TEXTILE AND GLASS INDUSTRIES REPORTED PRODUCTION RETURNED TO LEVELS SET AT BEGINNING OF YEAR, WHILE AUTO INDUSTRY SAID TO HAVE ACTUALLY SURPASSED OUTPUT OF 1 YEAR EARLIER.

FRENCH INDUSTRIAL PRODUCTION
(SEASONALLY ADJUSTED, BASE 1970 AS 100)

OCT NOV DEC JAN FEB MAR APR MAY JUN

122 118 114 116 116 112 112 109 112

UNCLASSIFIED

NNN

UNCLASSIFIED POSS DUPE

PAGE 01 PARIS 21759 03 OF 04 251628Z

43

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 /111 W

----- 064209

R 251604Z AUG 75
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 2457
INFO USDEL MTN GENEVA
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 03 OF 04 PARIS 21759

6. FF 0.8 BILLION TRADE SURPLUS REGISTERED AS IMPORTS,
EXPORTS RISE --

FRANCE'S FOREIGN-TRADE BALANCE WAS IN SURPLUS FOR
6TH CONSECUTIVE MONTH IN JULY, WITH BOTH IMPORTS AND
EXPORTS ON THE UPSWING. LATEST TRADE FIGURES (SEASONAL-
LY ADJUSTED, FOB-FOB) SHOWED IMPORTS AT FF 18.8 BILLION,
UP 7 PERCENT FROM JUNE, WHILE EXPORTS ROSE 4 PERCENT TO
FF 19.6 BILLION. JULY TRADE SURPLUS OF FF 833 MILLION
BROUGHT CUMULATIVE SURPLUS FOR YEAR TO DATE UP TO FF
7.3 BILLION.

FRENCH FOREIGN TRADE
(SEASONALLY ADJUSTED; IN BILLIONS OF FRANCS, FOB-FOB)

FEB MAR APR MAY JUN JUL
UNCLASSIFIED
UNCLASSIFIED

PAGE 02 PARIS 21759 03 OF 04 251628Z

IMPORTS	18.8	18.5	17.5	16.0	17.6	18.8
EXPORTS	20.0	19.3	19.1	17.7	18.8	19.6
BALANCE	1.2	0.8	1.6	1.8	1.2	0.8

TRADE FIGURES FOR BOTH JUNE AND JULY SHOW STRONG
INCREASES IN LEVEL OF IMPORTS FOLLOWING 12 MONTHS OF
NEARLY CONTINUOUS DECLINE -- A PATTERN WHICH MADE POS-
SIBLE EVER SMALLER DEFICITS IN LATTER PART OF 1974
FOLLOWED BY MONTHLY SURPLUSES IN 1975, SINCE EXPORTS
HAD NOT EXPANDED APPRECIABLY DURING THAT PERIOD. WHILE
DEEPENING RECESSION IN FRANCE (AND CONSEQUENT SLUMP IN
IMPORT DEMAND) WAS MOST OBVIOUS CAUSE OF EARLIER DECLINE
IN LEVEL OF IMPORTS, IT IS BY NO MEANS CLEAR THAT LATEST
INCREASES SIGNIFY ANY UPTURN IN OVERALL FRENCH ECONOMIC
ACTIVITY; SOME OBSERVERS HERE, IN FACT, DISCOUNT RECENT
RISE IN IMPORT FIGURES AS BEING DUE ENTIRELY TO
"TECHNICAL FACTORS," SUCH AS END TO RUN-DOWN OF EXCESS
INVENTORIES. MOREOVER, APPARENT END TO SOFTENING TREND
IN COMMODITY-IMPORT PRICES (SEE BELOW) HAS NOW RE-

VERSED DOWNWARD INCIDENCE ON NOMINAL IMPORT FIGURES WHICH PREVAILED FOR BETTER PART OF YEAR. AS INCREASE IN LEVEL OF EXPORTS DURING PAST TWO MONTHS HAS FAILED TO KEEP PACE WITH THAT OF IMPORTS, POSSIBILITY IS QUITE STRONG THAT FRENCH TRADE BALANCE WILL RETURN TO RED IN NEAR FUTURE, EVEN BARRING ANY FURTHER INCREASES IN WORLD PRICE OF PETROLEUM. INDEED, HIGHER FRANC COST OF IMPORTED OIL HAS PROBABLY ALREADY CONTRIBUTED TO LATEST RISES IN IMPORT FIGURES, AND MAY CONTINUE TO DO SO.

7. RAW-MATERIAL IMPORT PRICES ON UPSWING --

THE COST OF PRIMARY PRODUCTS IMPORTED BY FRANCE ROSE SHARPLY IN JULY, AGAIN BREAKING DOWNWARD TREND WHICH BEGAN 14 MONTHS EARLIER. OVERALL INSEE PRICE INDEX FOR FRENCH RAW-MATERIAL IMPORTS (BASE 1968 AS 100) SET AT 182.6, UP 8 PERCENT FROM 169.2 IN JUNE. LATEST JUMP IN INDEX LED BY PHENOMENAL 13 PERCENT HIKE IN IMPORT PRICES FOR PRIMARY FOODSTUFFS; INDEX FOR INDUSTRIAL RAW-MATERIAL IMPORTS ROSE 4 PERCENT. WHILE OVERALL INDEX REMAINS SOME 11 PERCENT BELOW YEAR-EARLIER LEVEL (SET AT 206.3 IN JULY 1974), SALUTARY
UNCLASSIFIED
UNCLASSIFIED

PAGE 03 PARIS 21759 03 OF 04 251628Z

EFFECTS OF DECLINING COMMODITY IMPORT PRICES ON FRENCH TERMS OF TRADE MAY NOW BE COMING TO AN END.

8. BUSINESS FAILURES MOUNT DURING FIRST HALF --

UNCLASSIFIED

NNN

UNCLASSIFIED POSS DUPE

PAGE 01 PARIS 21759 04 OF 04 251626Z

43

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 /111 W

----- 064236

R 251604Z AUG 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2458

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL FBCE

AMCONSUL STRASBOURG

UNCLAS SECTION 04 OF 04 PAOCS 21759

OFFICIAL FIGURES RELEASED AUGUST 13 BY CAISSE
CDATINMALE DES MARCHES SHOW TOTAL OF 8,051 BANKRU 5:83S
DURING FIRST HALF 1975, AN INCREASE OF NEARLY 25
PERCENT OVER SAME PERIOD LAST YEAR (60 PERCENT OVER
FIRST HALF OF 1973). NEARLY ONE-THIRD OF BUSINESS
FAILURES OCCURRED IN BUILDING AND PUBLIC-WORKS SECTOR,
WHILE SMALL SHOPKEEPERS AND SERVICES-TRANSPORT SECTOR
ALSO HARD-HIT.

9. OTHER REPORTS SUBMITTED DURING THE PERIOD --

TELEGRAMS:

20825 FOREIGN INVESTMENT CLIMATE
AND STATISTICS 8/13/75

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 21759 04 OF 04 251626Z

20999 ECONOMIC FORECASTING 8/14/75

21474 AN AUGUST POTPOURRI: SOME LIGHT
ON A FEW FINANCIAL QUESTIONS 8/20/75

215 72 FRENCH ECONOMIC OUTLOOK FOR
REMAINDER OF 1975 8/21/75

21640 FINANCE MINISTER FOURCADE ON
INTERNATIONAL MONETARY REFORM 8/22/75

AIRGRAMS:

A-370 FRENCH RESERVES IN JULY 1975 8/13/75

A-373 FRENCH FOREIGN EXCHANGE HOLDINGS 8/18/75
GAMMON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC TRENDS, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 25 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PARIS21759
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750293-0885
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750821/aaaaashk.tel
Line Count: 439
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 8
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 PARIS 16741
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 01 DEC 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 DEC 2003 by ThomasVJ>; APPROVED <07 JAN 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS
TAGS: EALR, EFIN, EGEN, FR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006